



COMMONWEALTH AUTOMOBILE REINSURERS

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RECORDS OF MEETING

STATISTICAL SUBCOMMITTEE

A meeting of the Statistical Subcommittee was held at the offices of Commonwealth Automobile Reinsurers, 100 Summer Street, Boston on

WEDNESDAY, JANUARY 9, 2002 AT 10:00 A.M.

Members present -

Mr. Thomas Baird* – Chairperson
National Grange Mutual Insurance Company

Ms. Donna Jarominski*
Ms. Marie Pappas
Mr. Arthur Procopio
Ms. Colleen Reavey

The Commerce Insurance Company
The Hanover Insurance Company
Arbella Mutual Insurance Company
The Travelers Insurance Company

*Mr. Thomas Baird substituted for Chairperson Ms. Rita Stollar.

*Ms. Donna Jarominski substituted for Mr. Michael Richards.

Commonwealth Automobile Reinsurers present -

Ms. Wendy Browne
Ms. Pamela Wallace
Mr. Donald Bergamasco
Ms. Lynne Rosenberg
Ms. Jennifer Kelley
Ms. Tina Thibodeau
Mr. Richard Dalton
Ms. Tracy Sonnemann
Mr. Mark Florenz
Ms. Marian Adgate

Director of Operations Services
Director of Data Quality Services
Sr. Manager of Audit Technology
Operations Services Manager
Operations Services Supervisor
Senior Data Analyst
Data Quality Analyst
Data Analyst
Data Analyst
Staff Analyst

Also present –

Ms. Katherine Barry
Mr. Michael Brady
Ms. Mary Rees
Ms. Stephanie Tuscano
Ms. Pamela Waitt
Ms. Maria Westgate

CGI Management & Consultants
Pilgrim Insurance Company
Pilgrim Insurance Company
Plymouth Rock Assurance Corporation
Liberty Mutual Insurance Company
Liberty Mutual Insurance Company

Mr. Baird substituting as Chairperson for Ms. Stollar called the meeting to order at 10:00 a.m.

OPST

02.01 Records of Previous Meeting

A motion was made by Ms. Reavey, and seconded by Mr. Procopio, to approve the Records of the Statistical Subcommittee meeting of October 10, 2001. The motion passed on a unanimous vote.

OPST

02.02 Distributional Analysis

Ms. Wallace reviewed with the Subcommittee the results of the 2nd Quarter 2001 Private Passenger and Commercial Premium Distributional Analysis (see attached OPST 02.02 Exhibit 1). She stated that a total of 130 companies were reviewed for the second quarter of 2001 and 23 or 18% of the carriers received questions pertaining to their results. There were twenty-two commercial questions and eleven private passenger questions. A preliminary breakdown of the responses reveals that 8.7% of the private passenger market and 63% of the commercial market received inquiries for additional information. Staff is awaiting responses from 5 commercial carriers that represent 11.2% of the commercial market and 4 private passenger carriers that represent 7.9% of the private passenger market. Staff will present a final report of the results for this quarter at the March Subcommittee meeting.

Ms. Wallace informed the Subcommittee that the Distributional Analysis reports for the third quarter of 2001 are currently being processed and reviewed. These reports and corresponding response forms will be distributed to the industry at the end of January.

In response to a question from Mr. Procopio, Ms. Wallace stated that additional steps regarding the enforcement of this data quality program do need to be investigated. Ms. Wallace noted that her staff is presently reviewing historical information to see if any trends regarding non-compliant companies can be determined. Additionally, the development of a penalty program is under consideration as a potential financial consequence for non-compliance does warrant more attention from companies than the implication that there could be a reporting problem.

OPST

02.03 Data Monitoring/Rate Edit

Ms. Wallace reviewed with the Subcommittee the most recent Private Passenger and Commercial Rate Edit results (see attached OPST 02.03 Exhibit 1). She noted that the final 2000 results reflect a 0.24% private passenger error rate and a 4.52% commercial error rate. Fourteen companies exceeded the commercial error tolerance and were assessed penalties.

OPST

02.03 Data Monitoring/Rate Edit (continued)

The September 2001 private passenger results reflect a 0.11% error rate, with no companies over tolerance. The commercial error rate is 2.68%, with thirteen companies over tolerance. Ms. Wallace noted that her staff is taking a more pro-active approach with companies experiencing over tolerance conditions by providing more information and assistance up-front. This additional effort has been favorably received by the companies.

Continuing, Ms. Wallace informed the subcommittee that the new on-line Rate Edit System is almost completed and companies will be notified as soon as it is available. Staff is anticipating an implementation date of February 1, 2002. This new system will provide rate edit information to companies via CAR's website, including summary reports, detail records and penalty letters. In addition, the processing cycle will move to weekly rather than monthly, to provide more up-to-date information. The system will mimic the paper error listings that are currently produced. Companies will also be able to download this information. The Subcommittee concurred that this system will be extremely helpful with their correction efforts.

OPST

02.04 Statistical Plan Changes

Ms. Adgate reviewed with the Subcommittee two proposed modifications to the Private Passenger Plan effective 1/1/2002. The proposed changes are as follows:

- The AIB has clarified language contained in Rule 29 – Classification Standards of the Private Passenger Rating Manual, as it pertains to the assignment of inexperienced occasional operators of vehicles.
- A change to Rule 19 – Discounts have been approved by the Division of Insurance. The approved change expands the applicability of the multi-car discount to coverage Parts 1, 2, 4, 5, 7, 8, and 9. Currently, the multi-car discount only applies to Parts 7 (Collision) and 8 (Limited Collision). The multi-car discount must now be reported on all liability, no-fault and physical damage premium records. Previously, although not applicable to liability and PIP premium, multi-car discount could be optionally reported on liability and no-fault statistical records.

A motion was made by Mr. Procopio, and seconded by Ms. Jarominski to adopt the proposed changes to the Private Passenger Statistical Plan. The motion passed on a unanimous vote.

Ms. Adgate reviewed three proposed modifications to the Commercial Statistical Plan effective 1/1/2002. The proposed changes are as follows:

The Commercial Classification Code Decision Table has been updated for the following:

- Symbol Code is required for Commercial Motorcycle classifications.
- Pollution Liability Broadened Coverage Code is required for Non-Owned classification code 500000 (Hired Public Transportation Autos).

OPST

02.04 Statistical Plan Changes (continued)

- To provide companies with additional information regarding commercial exposure reporting a summary has been added to Appendix A – Decision Tables to identify the exposure basis applicable to commercial classification codes.

Ms. Adgate noted that staff will further develop the exposure basis table to include exposure calculation examples.

A motion was made by Ms. Reavey, and seconded by Ms. Pappas to adopt the proposed changes to the Commercial Statistical Plan, including Staff's additions to the exposure basis table. The motion passed on a unanimous vote.

Ms. Adgate also reviewed with the Subcommittee its analysis of data elements for potential elimination from the Private Passenger and Commercial Statistical Plans (see attached OPST 02.04 Exhibits 4 and 5).

The following is a list of Private Passenger and Commercial data elements that staff is recommending be eliminated:

- **Class Group Code** – Ms. Adgate noted that with recent Statistical Plan modifications, the Class Group Code value reported on the private passenger record layouts now only differentiates between voluntary and ceded private passenger business. If an invalid Class Group Code is reported, a valid code is imputed based upon the reported classification Code and CAR Identification code. She further noted that if this data element is eliminated from the statistical record layouts, it will be necessary for CAR's statistical processing systems to continue imputing class group for CAR's internal purposes since several of CAR's systems will still use class group to distinguish between private passenger and commercial business.
- **Claim Count** - Ms. Adgate stated that CAR has been utilizing AIB generated claim count data to perform its ceding expense and distributional analysis functions. The only function for which statistically reported claim had continued to be used was in the frequency/severity exhibits used in the loss reserving process. At the Loss Reserving Committee, Staff prepared an exhibit that detailed the frequency/severity differences that would exist based on the source of claim count (AIB derived vs. company reported). The Loss Reserving Committee acknowledged that although some differences would exist, the derived claim counts show similar trends over time and agreed that the AIB derived claim counts could be used to produce the frequency/severity exhibit commencing with the December 5, 2001 meeting.

Ms. Adgate further noted that staff also reviewed the following Private Passenger and Commercial data elements and is recommending that they not be eliminated: State Code, Exposure, PIP Coverage, Age, Symbol, Model Year, High Theft Vehicle, and Passive Restraint.

It was the consensus of the Subcommittee that staff determine the appropriate implementation date and develop the Corresponding Statistical Plan pages to eliminate Class Group Code and Claim Count for the March meeting.

Statistical Plan Changes Additional Item

Ms. Adgate informed the Subcommittee that the \$100.00 towing limit has been included in the AIB's under 1% filing. If this is approved, additional codes will need to be added to the Commercial Statistical Plan. Staff anticipates that the statistical plan pages will be available for the Subcommittee's review at its March meeting.

Other Business

There being no further business, a motion was made by Ms. Reavey and duly seconded by Mr. Procopio, to adjourn the meeting. The motion passed on a unanimous vote.

The meeting adjourned at 11:04 a.m.

TINA THIBODEAU
Senior Data Analyst

Attachments
Boston, Massachusetts
February 25, 2002

Note: These Records have not been approved. They will be considered for approval at the next Statistical Subcommittee meeting.

